



General Assembly

January Session, 2007

***Raised Bill No. 1280***

LCO No. 4523

\*04523\_\_\_\_\_CE\_\*

Referred to Committee on Commerce

Introduced by:  
(CE)

***AN ACT RECAPITALIZING CONNECTICUT INNOVATIONS,  
INCORPORATED.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective July 1, 2007*) (a) For the purposes described in  
2       subsection (b) of this section, the State Bond Commission shall have  
3       the power, from time to time, to authorize the issuance of bonds of the  
4       state in one or more series and in principal amounts not exceeding in  
5       the aggregate fifty million dollars.

6       (b) The proceeds of the sale of said bonds, to the extent of the  
7       amount stated in subsection (a) of this section, shall be used by  
8       Connecticut Innovations, Incorporated, for its corporate purposes as  
9       set forth in section 32-39 of the general statutes to support the  
10      programs of Connecticut Innovations, Incorporated, described in  
11      sections 32-41b to 32-41u, inclusive, of the general statutes.

12      (c) All provisions of section 3-20 of the general statutes, or the  
13      exercise of any right or power granted thereby, which are not  
14      inconsistent with the provisions of this section are hereby adopted and  
15      shall apply to all bonds authorized by the State Bond Commission

16 pursuant to this section, and temporary notes in anticipation of the  
17 money to be derived from the sale of any such bonds so authorized  
18 may be issued in accordance with said section 3-20 and from time to  
19 time renewed. Such bonds shall mature at such time or times not  
20 exceeding twenty years from their respective dates as may be provided  
21 in or pursuant to the resolution or resolutions of the State Bond  
22 Commission authorizing such bonds. None of said bonds shall be  
23 authorized except upon a finding by the State Bond Commission that  
24 there has been filed with it a request for such authorization which is  
25 signed by or on behalf of the Secretary of the Office of Policy and  
26 Management and states such terms and conditions as said commission,  
27 in its discretion, may require. Said bonds issued pursuant to this  
28 section shall be general obligations of the state and the full faith and  
29 credit of the state of Connecticut are pledged for the payment of the  
30 principal of and interest on said bonds as the same become due, and  
31 accordingly and as part of the contract of the state with the holders of  
32 said bonds, appropriation of all amounts necessary for punctual  
33 payment of such principal and interest is hereby made, and the State  
34 Treasurer shall pay such principal and interest as the same become  
35 due.

36 Sec. 2. Section 32-41v of the general statutes is repealed and the  
37 following is substituted in lieu thereof (*Effective from passage*):

38 (a) As used in this section:

39 (1) "Corporation" means Connecticut Innovations, Incorporated; and

40 (2) "Fund" means the Connecticut New Opportunities Fund.

41 (b) Connecticut Innovations, Incorporated shall establish a fund to  
42 be known as the Connecticut New Opportunities Fund, for the  
43 purpose of investing in seed stage and emerging growth companies in  
44 the state. The corporation, or a subsidiary created by the corporation  
45 for the purposes of this section, pursuant to subsection (g) of this  
46 section, shall serve as general partner or managing member of the fund

47 and shall determine whether the fund should be organized as a limited  
48 partnership or a limited liability company. The general partner or  
49 managing member of the fund shall be reimbursed from the fund for  
50 its management costs, which shall not exceed two per cent, annually,  
51 of the committed capital of the fund.

52 (c) The state shall provide twenty-five million dollars of committed  
53 capital as a special limited partner or nonmanaging member of the  
54 Connecticut New Opportunities Fund, established pursuant to  
55 subsection (b) of this section. The total committed capital of the fund  
56 shall not be less than fifty million dollars. As a special limited partner  
57 or nonmanaging member, the state shall be entitled to receive its  
58 twenty-five-million-dollar investment as a return of capital on a  
59 prorata basis with the other limited partners or nonmanaging  
60 members. The state shall not be entitled to any return on its investment  
61 as a special limited partner or nonmanaging member but instead shall  
62 receive fifty per cent of all returns to the general partner or managing  
63 member of the Connecticut New Opportunities Fund.

64 ~~[(c)]~~ (d) Investors in the fund may include pension funds,  
65 foundations and private entities or other institutional investors. Such  
66 investors shall participate as limited partners or nonmanaging  
67 members of the fund. [The committed capital of the fund shall not  
68 exceed fifty million dollars.]

69 ~~[(d)]~~ The moneys in the fund shall be invested as follows: (1) (e) Not  
70 more than twenty-five per cent of the moneys in the fund shall be  
71 invested in seed stage companies. [, and (2) not more than seventy-five  
72 per cent in not more than twenty emerging growth companies.] Not  
73 more than [three million dollars] ten per cent of the fund's capital shall  
74 be invested in any single [seed stage or emerging growth] company.  
75 Fund investments shall be in the form of equity or similar instruments.  
76 [An emerging growth company may be eligible for an investment if  
77 the company projects high growth, has a strong management team, has  
78 current and prospective customers, has had difficulty raising early

79 stage venture capital and is a strong market driver but is facing entry  
80 barriers.]

81 [(e)] (f) The fund shall [have a term of ten years, provided it may be  
82 extended for three one-year periods if necessary to complete  
83 liquidation of the fund's investments. Upon such liquidation, each  
84 investor shall be entitled to a return of the investment made, plus  
85 eighty per cent of all net realized gains of the fund. The state shall  
86 provide a first loss guarantee at the end of the tenth year, if needed, of  
87 not more than twenty-five million dollars. The state shall be entitled to  
88 ten per cent of all net realized gains of the fund and the general partner  
89 or managing member of the fund shall also be entitled to ten per cent  
90 of all such net realized gains] be subject to any terms and conditions  
91 pursuant to this section and otherwise, as may be determined by the  
92 corporation to be necessary and appropriate to achieve the fund's  
93 objectives.

94 (g) A subsidiary created by the corporation for purposes of this  
95 section may be formed as a nonstock corporation or a limited liability  
96 company and shall be deemed a quasi-public agency for purposes of  
97 chapter 12. The corporation may, as it deems necessary, (1) transfer to  
98 such subsidiary any money or real or personal property, and (2)  
99 provide services and support to such subsidiary. Such subsidiary shall  
100 act in furtherance of the public purposes of the corporation and shall  
101 have all the privileges, immunities, tax exemptions and other  
102 exemptions of the corporation. In connection with the formation,  
103 administration and operation of the Connecticut New Opportunities  
104 Fund, the corporation and such subsidiary shall have and may exercise  
105 all of the powers set forth in section 32-39.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>from passage</i>	32-41v

***Statement of Purpose:***

To recapitalize Connecticut Innovations, Incorporated, and the Connecticut New Opportunities Fund.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*